THE BUSINESS PERSPECTIVE:

Lights, Camera, Layoffs

by Gary Toebben, President & CEO, Los Angeles Area Chamber of Commerce

Major Hollywood cutbacks were announced last week resulting in more than 2,000 layoffs worldwide. It’s clear that a major industry contraction is occurring as studios respond to a proliferation of new technology and a change in moviegoer habits. This is especially worrisome for our local economy and the 250,000 local jobs that depend on our most familiar export.

There is an urgent need for real stimulus, and the California legislature can help jump-start it by finally passing AB 777. Over the past decade, California has struggled with runaway production to other parts of the United States as well as foreign countries. The industry generates more than $35 billion a year to our local economy. As we lose productions, we are also losing high-paying, quality jobs as industry professionals set up shop in other states. There is no secret formula for this trend, only wise uses of economic incentives by other states to compete in the marketplace.

Introduced by Assembly Speaker Fabian Nuñez, AB 777 is an important step towards reversing this trend. The bill establishes a refundable tax credit for film projects with at least 75 percent of their production located in California. No one will be able to write off a star’s $20 million paycheck since salaries for actors, writers, producers and directors do not qualify. The credit is applied to crucial “below the line” costs such as labor, rentals and set materials – the very heart of the industry that employs so many in our region.

Thousands of small businesses will benefit from this infusion. Set designers, caterers, construction trades, transportation providers, makeup artists, security, location scouts and illustrators are just a few examples of the wide-variety of good paying, quality jobs that depend on a vibrant film industry. There is also a ripple effect into other industries because every new film industry job produces two more jobs in the local economy.

AB 777 continues to linger in legislative limbo in Sacramento since its introduction in February 2005. Some legislators are unwilling to support a tax incentive for one industry while deficit reduction is an important priority. That argument makes sense on the surface, but the consequences of doing nothing are far worse. The alternative is to lose this vital tax base entirely when businesses are shuttered and employees move elsewhere. Many non-motion picture companies benefit from the cluster of creative talent in our community. If that talent starts leaving, other sectors of the economy will feel the impact as well.

This legislation is not a fix-all for the motion picture industry. Other states and cities will still offer much more lucrative incentives, and other major challenges face the industry as entertainment habits and technologies continue to change. But AB 777 will make a strong statement about California’s desire to keep this signature industry in our state. Further efforts need to be explored in Sacramento and at the city level to make it cost-effective for our homegrown industry to stay local. The Chamber applauds a recent Los Angeles City Council decision to waive location fees for filming on city-owned property. The city’s decision is a step in the right direction.

The entertainment industry helped build Southern California’s economic infrastructure and established our city’s reputation as the “entertainment capital of the world.” It’s time to pass AB 777 and make a strong statement to the industry and our competitors that we intend to keep it that way.

And that’s The Business Perspective.